

TOWNSHIP OF PITTSFORD
HILLSDALE COUNTY, MICHIGAN

AUDIT REPORT

MARCH 31, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* TOWNSHIP OF PITTSFORD	County* HILLSDALE	Type* TOWNSHIP	MuniCode* 30-1-110
Opinion Date-Use Calendar* Sep 26, 2008	Audit Submitted-Use Calendar* Sep 29, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

f a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> \$ 183,633.00
General Fund Expenditure:	<input type="checkbox"/> \$ 146,178.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> \$ 155,602.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* GREG	Last Name* BAILEY	Ten Digit License Number* 1101022915		
CPA Street Address* 479 E CHICAGO ST BOX 215	City* JONESVILLE	State* MI	Zip Code* 49250	Telephone* +1 (517) 849-2410
CPA Firm Name* BAILEY, HODSHIRE & COMPANY	Unit's Street Address* 12011 HUDSON RD	Unit's City* PITTSFORD	Unit's Zip* 49271	

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Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Pittsford
Hillsdale County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Pittsford as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Pittsford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Pittsford as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 18 through 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Pittsford's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bailey, Adair & Company, P.C.

September 26, 2008
Jonesville, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF PITTSFORD

This section of Pittsford Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements which follow this section.

Financial Highlights

The following represents the most significant financial highlights for the year ended March 31, 2008:

- The assets of the Township exceeded its liabilities at March 31, 2008 by \$1,314,353 (net assets). Of this amount, \$211,747 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$4,090.
- As of March 31, 2008, the Township's governmental funds reported combined ending fund balances of \$211,747, an increase of \$59,665. The entire amount is available for spending at the government's discretion (unreserved fund balance).

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps explain the condition of the Township. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In a condensed format, the table below shows the net assets of the Township as of the end of the past two years.

TABLE 1 - NET ASSETS

Assets:	2007	2008
Current Assets	\$ 153,053	\$ 212,635
Noncurrent Assets (net of depreciation)	<u>1,158,181</u>	<u>1,102,606</u>
Total Assets	<u>\$ 1,311,234</u>	<u>\$ 1,315,241</u>
Liabilities:		
Current Liabilities	\$ 971	\$ 888
Long-term Liabilities	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 971</u>	<u>\$ 888</u>
Net Assets:		
Invested in Capital Assets, net of related debt	\$ 963,315	\$ 915,282
Invested in Joint Venture	194,866	187,324
Restricted	0	0
Unrestricted	<u>152,082</u>	<u>211,747</u>
Total Net Assets	<u>\$ 1,310,263</u>	<u>\$ 1,314,353</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF PITTSFORD

The following table shows the changes in net assets:

TABLE 2 - CHANGE IN NET ASSETS

	<u>2007</u>	<u>2008</u>
Program Revenue:		
Charges for services	\$ 22,030	\$ 17,724
Operating Grants and Contributions	23,246	23,450
Capital Grants and Contributions	0	4,505
General Revenue:		
Property tax	35,382	72,992
30,263		
State shared revenue	113,404	114,311
Interest income	585	757
Other	45,254	25,016
Total Revenue	<u>\$ 239,901</u>	<u>\$ 258,755</u>
Expenses:		
General Government	\$ 72,360	\$ 73,674
Public Safety	39,647	50,410
Public Works	17,152	24,168
Community & Economic Development	4,893	4,545
Recreation & Culture	66,822	74,164
Depreciation - Unallocated	28,754	27,704
Total Expenses	<u>\$ 229,628</u>	<u>\$ 254,665</u>
CHANGE IN NET ASSETS	<u>\$ 10,273</u>	<u>\$ 4,090</u>

The Township's net assets remain healthy.

The Township's Funds

The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds include the General Fund and the Library Fund.

The General Fund pays for most of the Township's governmental services. The most significant are road work, and fire protection; these areas incurred expenses of \$63,097 in 2007-08.

General Fund Budgetary Highlights

At the regular meet of the Township Board on February 11, 2008, the 2007-08 budget was amended to add an account under revenue titled "Oil Lease." When preparing the budget in 2007, the Board had no idea that oil companies would be in the area asking to lease parcels in our Township. All parcels owned in whole or in part by Pittsford Township were leased to Savoy Oil Company, and the income amounted to \$6,680.50. Of this amount, \$5,786.50 was turned over to the Pittsford Sewer System since it was for payment of our share of ownership in the Sewer property. This account is administered by Jefferson Township, Hillsdale County. We also increased Contingency Expenditure Account to show the transfer of the \$5,786.50 to the Sewer System.

All other adjustments to the expense accounts were made to keep each account balanced as actual bills were received and paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF PITTSFORD

Capital Asset and Debt Administration

The Township's investment in capital assets during the year included an upgraded computer server with APC Back-UPS and software for the Library, as well as five new Dell Pentium Computers for \$4,505 which were purchased with Library grant money. There was also continued investment in the roads within the Township. The road work is done with the cooperation of the Hillsdale County Road Commission which performs (or contracts) the work and shares the costs. This infrastructure is not reported on the Township's financial statements because the roads are not the property of the Township. Details of the Township's capital assets are continued in the notes to the financial statements on page 16.

Economic Factors and Next Year's Budgets and Rates

Pittsford Township plans to borrow \$56,000 through a local bank to complete the payment of Pittsford Township's share in the purchase of a new Truck/Pumper for the Pittsford-Jefferson Fire Department. Delivery date is estimated to occur between November, 2008 and January, 2009. We co-own the Fire Department with Jefferson Township, Hillsdale County.

A more long distance plan is to purchase signage for our two cemeteries.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF PITTSFORD
STATEMENT OF NET ASSETS
MARCH 31, 2008

ASSETS

Cash & investments	\$ 171,902
Taxes receivable	6,248
Due from State of Michigan	34,485
Investment in Joint Venture	187,324
Capital assets - net	<u>915,282</u>
Total assets	<u>\$ 1,315,241</u>

LIABILITIES

Accounts payable	<u>\$ 888</u>
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NET ASSETS

Investment in capital assets, net of related debt	\$ 915,282
Investment in Joint Venture	187,324
Unrestricted	<u>211,747</u>
Total net assets	<u>\$ 1,314,353</u>
Total liabilities and net assets	<u>\$ 1,315,241</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government	\$ 73,674	\$ 16,689	\$ 0	\$ 0	\$ (56,985)
Public Safety	50,410	0	0	0	(50,410)
Public Works	24,168	0	0	0	(24,168)
Community & Economic Development	4,545	1,035	0	0	(3,510)
Recreation & Culture	74,164	0	23,450	4,505	(46,209)
Depreciation (unallocated)	<u>27,704</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(27,704)</u>
Total	<u>\$ 254,665</u>	<u>\$ 17,724</u>	<u>\$ 23,450</u>	<u>\$ 4,505</u>	<u>\$ (208,986)</u>

General Revenues:

Property tax, levied for general purposes	\$ 72,992
State shared revenue	114,311
Interest income	757
Other	<u>25,016</u>
Total General Revenues	<u>\$ 213,076</u>
Change in Net Assets	\$ 4,090
Net Assets - Beginning	<u>1,310,263</u>
Net Assets - Ending	<u>\$ 1,314,353</u>

*Excludes direct depreciation expense of the various programs (see Note 5)

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash & investments	\$ 117,680	\$ 54,222	\$ 171,902
Taxes receivable	3,682	2,425	6,107
Due from State of Michigan	34,485	0	34,485
Due from agency fund	<u>141</u>	<u>0</u>	<u>141</u>
Total assets	<u>\$ 155,988</u>	<u>\$ 56,647</u>	<u>\$ 212,635</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Payroll taxes payable	<u>\$ 386</u>	<u>\$ 502</u>	<u>\$ 888</u>
Fund Balance:			
Reserved	\$ 0	\$ 0	\$ 0
Unreserved/Undesignated	<u>155,602</u>	<u>56,145</u>	<u>211,747</u>
Total fund balance	<u>\$ 155,602</u>	<u>\$ 56,145</u>	<u>\$ 211,747</u>
Total liabilities and fund balance	<u>\$ 155,988</u>	<u>\$ 56,647</u>	<u>\$ 212,635</u>

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to the Net Assets of Governmental Activities on the Statement of Net Assets

Fund Balances - total governmental funds	\$ 211,747
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: capital assets	1,641,942
Deduct: accumulated depreciation	(726,660)
The investment in the joint venture Fire Department not recorded in the fund financial statements, but is recorded in the government-wide financial statements	<u>187,324</u>
Net assets of governmental activities	<u>\$ 1,314,353</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
MARCH 31, 2008

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE			
Property taxes	\$ 33,230	\$ 39,762	\$ 72,992
State shared revenue	109,526	4,785	114,311
Contributions from other townships	0	5,600	5,600
Charges for services	17,209	0	17,209
Penal fine income	0	15,277	15,277
Interest income	242	515	757
Contributions	0	1,540	1,540
Cemetery receipts	515	0	515
Rent income	4,800	0	4,800
Grant income	0	5,538	5,538
Miscellaneous	18,111	2,105	20,216
Total revenue	<u>\$ 183,633</u>	<u>\$ 75,122</u>	<u>\$ 258,755</u>
EXPENDITURES			
General Government	\$ 73,674	\$ 0	\$ 73,674
Public Safety	42,868	0	42,868
Public Works	24,168	0	24,168
Community & Economic Development	4,545	0	4,545
Recreation & Culture	923	52,912	53,835
Total expenditures	<u>\$ 146,178</u>	<u>\$ 52,912</u>	<u>\$ 199,090</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 37,455</u>	<u>\$ 22,210</u>	<u>\$ 59,665</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 0	\$ 7,400	\$ 7,400
Transfers out	(7,400)	0	(7,400)
Total other financing sources (uses)	<u>\$ (7,400)</u>	<u>\$ 7,400</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCES	\$ 30,055	\$ 29,610	\$ 59,665
FUND BALANCES - BEGINNING	<u>125,547</u>	<u>26,535</u>	<u>152,082</u>
FUND BALANCES - ENDING	<u>\$ 155,602</u>	<u>\$ 56,145</u>	<u>\$ 211,747</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Net changes in fund balances - total governmental funds \$ 59,665

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	11,989
Deduct: depreciation expense	(60,022)

Net gain (loss) from the joint venture Fire Department is not recorded in the fund financial statements, but is recorded in the government-wide financial statements

(7,542)

Change in net assets of governmental activities	<u>\$ 4,090</u>
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The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
MARCH 31, 2008

ASSETS

Cash	\$ <u>141</u>
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LIABILITIES

Due to Township General Fund	\$ <u>141</u>
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The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Pittsford is located in Hillsdale County, Michigan, and comprises a population of approximately 1,600 residents. It is governed by a board consisting of 5 members with a supervisor as its head.

The accounting policies of the Township of Pittsford conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The following is a summary of significant accounting policies used by the Township of Pittsford:

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state shared revenue, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if any) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

Under the modified accrual basis, property taxes, state shared revenue, interest, and grants are considered to be both measurable and available at fiscal year-end. All other revenue items are considered to be available only when cash is received by the Township.

Financial Statement Presentation

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Township reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Library Fund- established as a special revenue fund to account for the revenue and expenditures associated with the operation of the Library.

Additionally, the Township reports the following fund type:

Fiduciary Fund/Trust and Agency Fund

Tax Collection Fund - used to account for property taxes collected from residents on behalf of the Township along with other governmental units in the county. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and investments are reported at cost.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. These assets are considered to have a useful life of more than one year.

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued) - All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Township maintains a capitalization threshold of \$500. The Township does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	50 years
Furniture & Fixtures	20 years
Equipment	15 years
Technology	5 years
Books	15 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net assets.

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Township Board at the line-item level. Any budgetary modifications may only be made by resolution of the Township Board. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to March 31, the Township Board proposes an operating budget for the fiscal year commencing on April 1.
- 2) A public hearing is conducted during March to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, due primarily to audit adjustments, as follows:

<u>Fund</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	Cemetery Maintenance	3,695	4,189	494
Library Fund	Computers - Equipment	2,300	6,627	4,327
Library Fund	Heat	1,492	1,607	115

NOTE 3 - DEPOSITS AND INVESTMENTS

State law authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of March 31, 2008, the Township's deposits are in accordance with statutory authority.

The Township's deposits and investments are subject to several types of risk, which are examined in more detail as follows:

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township minimizes credit risk by limiting investments to the types of securities allowed by State law. The Township has no policy that further limits its investment choices.

Concentration of Credit Risk - The Township has no policy that places limits on the amount the Township may invest in any one issuer.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a policy to address custodial credit risk. At March 31, 2008, the carrying amount of the Township's bank deposits was \$172,043 and the bank's balance was \$173,088. Of the bank balance, \$100,000 was covered by federal depository insurance and \$73,088 was uninsured.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township has no policy that specifically identifies interest rate risk.

Foreign Currency Risk - The Township is not authorized to invest in investments which have this type of risk.

Investments

There were no investments held during the year.

NOTE 4 - RECEIVABLES

Receivables at March 31, 2008, consist of property taxes and State Revenue Sharing, both of which are considered collectible in full.

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2008, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 56,785	\$ 0	\$ 0	\$ 56,785
Capital assets being depreciated				
Buildings & Improvements	\$1,116,067	\$ 0	\$ 0	\$1,116,067
Furniture & Equipment	88,134	6,627	0	94,761
Books	374,329	5,362	(5,362)	374,329
Subtotal	\$1,578,530	\$ 11,989	\$ (5,362)	\$1,585,157
Less accumulated depreciation for				
Buildings & Improvements	\$ (490,091)	\$ (27,602)	\$ 0	\$ (517,693)
Furniture & Equipment	(54,642)	(7,484)	0	(62,126)
Books	(127,267)	(24,936)	5,362	(146,841)
Subtotal	\$ (672,000)	\$ (60,022)	\$ 5,362	\$ (726,660)
Total capital assets being depreciated, net	\$ 906,530	\$ (48,033)	\$ 0	\$ 858,497
Total capital assets, net	\$ 963,315	\$ (48,033)	\$ 0	\$ 915,282

Total depreciation expense for the year was allocated as follows:

Library	\$ 32,318
Unallocated	27,704
Total	\$ 60,022

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at March 31, 2008, is as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 141	Tax Collection Fund	\$ 141

Interfund transfers during the year consisted of the following:

Transfers from Tax Collection Fund to General Fund	\$ 47,461
Transfers from Tax Collection Fund to Library Fund	37,337
Transfers from General Fund to Library Fund	7,400

The amount due to General Fund from the Tax Collection Fund represents Township property taxes that have been collected but not yet transferred to General Fund.

The transfers from Tax Collection Fund to General Fund and Library Fund are for those funds' respective share of property taxes collected. The transfers from general Fund to Library Fund are for General Fund's annual contribution towards Library services.

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 7 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2007 was .7475 mills for general operations and .93 mills for library operations on a total state taxable valuation of approximately \$43,425,000. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the County Treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

NOTE 8 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 9 - UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

NOTE 10 - JOINT VENTURE

The Township is a participant in a joint venture agreement with the Township of Jefferson for the operation of the Townships of Pittsford and Jefferson Fire Department (the "Department"). In accordance with the provisions of Governmental Accounting Standards Board No. 14, the joint venture results from the ongoing financial responsibility of the Department's operations agreed to by the municipalities pursuant to the contractual agreement. Each Township appoints two members of the five-member Fire Board which oversees the operations (the fifth member is appointed by the Fire Board). The Townships each have a 50 percent ownership in the venture. Each Township's percentage share of the annual operating and maintenance expenses is determined by dividing the number of sections within the Township which are receiving fire department services by the total number of sections in all Townships receiving said services.

The Fire Department reported expenses in excess of revenue in the amount of \$15,084 for its year ended March 31, 2008. Pittsford Township has reported \$7,542 (50%) of the expenses over revenue in its Statement of Activities. The Township's investment in the joint venture is reported in the Statement of Net Assets in the amount of \$187,324 as of March 31, 2008. We also conducted the audit of the Fire Department's financial statements as of March 31, 2008.

Copies of the Fire Department's financial statements may be obtained at the Jefferson Township office.

NOTE 11 - COMMITMENTS

At a joint meeting in March, 2008, the Township Boards of Pittsford Township and Jefferson Township approved the purchase of a new fire truck by the Townships of Pittsford and Jefferson Fire Department at a cost of \$272,789. Each Township agreed to pay \$56,000 towards the cost of the truck, with the remaining \$160,789 coming from Fire Department reserves. At its meeting in April, 2008, the Pittsford Township Board approved a \$56,000 loan from United Bank and Trust for its portion of the funding.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF PITTSFORD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
Beginning of year fund balance	\$ 50,577	\$ 50,577	\$ 125,547	\$ 74,970
Resources (inflows)				
Property taxes	33,000	33,000	33,230	230
State shared revenue	102,000	102,000	109,526	7,526
Charges for services	1,400	1,400	17,209	15,809
Interest income	0	0	242	242
Cemetery receipts	750	750	515	(235)
Rent income	4,800	4,800	4,800	0
Miscellaneous	<u>5,700</u>	<u>12,380</u>	<u>18,111</u>	<u>5,731</u>
Amounts available for appropriation	<u>\$ 198,227</u>	<u>\$ 204,907</u>	<u>\$ 309,180</u>	<u>\$ 104,273</u>
Charges to appropriations (outflows)				
General Government				
Township Board				
Salaries	\$ 3,620	\$ 3,620	\$ 3,610	\$ (10)
Other expenses	6,380	6,380	5,362	(1,018)
Insurance and bonds	12,100	12,100	11,613	(487)
Contingency	10,509	14,795	5,934	(8,861)
Supervisor				
Salary	5,300	5,300	5,300	0
Office expense	250	250	70	(180)
Clerk				
Salary	8,300	8,300	8,300	0
Deputy	625	625	625	0
Office expense	700	700	617	(83)
Treasurer				
Salary	9,299	9,299	9,298	(1)
Deputy	625	625	573	(52)
Office expense and printing	3,550	3,550	1,996	(1,554)
Assessor				
Contract services	10,056	11,556	11,401	(155)
Elections	3,000	3,000	913	(2,087)
Building and grounds	3,500	4,700	3,873	(827)
Cemetery maintenance	3,695	3,695	4,189	494

TOWNSHIP OF PITTSFORD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
Public Safety				
Fire protection	42,808	42,908	42,868	(40)
Public Works				
Roads	20,750	20,750	20,229	(521)
Drains	2,500	2,500	1,009	(1,491)
Street lights	2,650	3,150	2,930	(220)
Community & Economic Development				
Planning commission	1,700	1,700	857	(843)
Zoning	4,300	4,300	3,688	(612)
Recreation & Culture				
Library	900	950	923	(27)
Transfers to other funds	<u>7,400</u>	<u>7,400</u>	<u>7,400</u>	<u>0</u>
Total charges to appropriations	<u>\$ 164,517</u>	<u>\$ 172,153</u>	<u>\$ 153,578</u>	<u>\$ (18,575)</u>
End of year fund balance	<u>\$ 33,710</u>	<u>\$ 32,754</u>	<u>\$ 155,602</u>	<u>\$ 122,848</u>

TOWNSHIP OF PITTSFORD
BUDGETARY COMPARISON SCHEDULE
LIBRARY FUND
FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of year fund balance	\$ 18,953	\$ 18,953	\$ 26,535	\$ 7,582
Resources (inflows)				
Property taxes	7,650	10,650	39,762	29,112
State shared revenue	4,000	4,000	4,785	785
Contributions from townships	5,600	5,600	5,600	0
Penal fine income	18,000	18,000	15,277	(2,723)
Interest income	40	40	515	475
Contributions	400	400	1,540	1,140
Grant income	0	0	5,538	5,538
Miscellaneous income	650	650	2,105	1,455
Transfers from other funds	<u>7,400</u>	<u>7,400</u>	<u>7,400</u>	<u>0</u>
Amounts available for appropriation	<u>\$ 62,693</u>	<u>\$ 65,693</u>	<u>\$ 109,057</u>	<u>\$ 43,364</u>
Charges to appropriations (outflows)				
Wages	\$ 17,000	\$ 18,000	\$ 17,450	\$ (550)
Payroll tax	1,500	1,500	1,335	(165)
Books	4,500	5,500	5,362	(138)
Magazines	700	400	363	(37)
Videos/DVDs	300	50	0	(50)
Computer – supplies	2,000	2,000	1,965	(35)
Computer – equipment	2,000	2,300	6,627	4,327
Telephone	2,500	1,800	1,187	(613)
Electric	1,300	1,300	1,079	(221)
Sewer	270	270	258	(12)
Heat	2,200	1,492	1,607	115
Supplies	3,000	2,000	1,717	(283)
Memberships	2,000	2,404	2,404	0
Rent	4,800	4,800	4,800	0
Insurance	2,600	2,600	2,600	0
Miscellaneous	<u>500</u>	<u>4,973</u>	<u>4,158</u>	<u>(815)</u>
Total charges to appropriations	<u>\$ 47,170</u>	<u>\$ 51,389</u>	<u>\$ 52,912</u>	<u>\$ 1,523</u>
End of year fund balance	<u>\$ 15,523</u>	<u>\$ 14,304</u>	<u>\$ 56,145</u>	<u>\$ 41,841</u>

OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF PITTSFORD
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Balance</u> <u>April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31, 2008</u>
ASSETS				
Cash	\$ 4,653	\$ 1,019,067	\$ 1,023,579	\$ 141
LIABILITIES				
Due to Other Funds	\$ 1,085	\$ 199,350	\$ 200,294	\$ 141
Due to County	0	539,079	539,079	0
Due to State	2,334	4,026	6,360	0
Due to Schools	1,234	270,514	271,748	0
Due to Other Govt. Units	<u>0</u>	<u>6,098</u>	<u>6,098</u>	<u>0</u>
	<u>\$ 4,653</u>	<u>\$ 1,019,067</u>	<u>\$ 1,023,579</u>	<u>\$ 141</u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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September 26, 2008

The Township of Pittsford
Pittsford, Michigan

In planning and performing our audit of the financial statements of the Township of Pittsford as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

Financial Statement Preparation

The Township does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenue and expenditures, to track changes in capital assets, and to present required financial statement disclosures. We recognize the time and expense that would be required to obtain the necessary training and expertise to perform this task internally; therefore, we recommend that the Township continue to carefully review the draft financial statements and notes prepared by the external auditors prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we do consider the significant deficiency described above to be a material weakness.

In addition, we noted other matters involving the internal control and its operation that we did not consider to be significant deficiencies or material weaknesses, but are opportunities for improvement:

Annual Budget

There are specific statutory requirements regarding the notice for budget public hearing, as well as the requirements of The Americans with Disabilities Act. We recommend that the Township review each of these requirements prior to publishing future notices.

There were also a few line items for which expenditures exceeded the budgeted amounts - - mainly due to a non-cash computer equipment grant. We recommend that the Township continue to monitor the budget carefully to avoid over-expenditure.

Investment Policy

The Township should adopt a revised investment policy to comply with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 40.

State Chart of Accounts

State statutes require all governments to use a standard chart of accounts in maintaining financial records. We recommend that the Township more thoroughly utilize this chart of accounts, for both budgeting and transaction recording purposes.

This communication is intended solely for the information and use management, the Township Board, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

Bailey, Holdshire & Company, PC

Jonesville, Michigan
September 26, 2008